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Summary record of the 65th meeting
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Chairman: Mr. Ashe ..... (Antigua and Barbuda)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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The meeting was called to order at 3.15 p.m.

Agenda item 124: Programme budget for the biennium 2006-2007 (*continued*)

Expenditure authorization for the biennium 2006-2007

Draft decision A/C.5/60/L.44

1. **The Chairman** drew attention to draft decision A/C.5/60/L.44, entitled "Expenditure authorization for the biennium 2006-2007". Since the Committee's previous meeting, he had held consultations with a number of delegations, with the assistance of the Office of the President of the General Assembly. Based on the outcome of those consultations, he believed it would be to the Committee's benefit to suspend the meeting to allow members to consult further before the Committee took action on the draft decision. He would be prepared to limit the duration of such consultations.

2. **Mr. Kumalo** (South Africa), speaking on behalf of the Group of 77 and China, said that the Group supported the draft decision and was ready to take action on it immediately. However, if the Chairman wished to consult further with Member States, it would be willing to accede to his request. The General Assembly had clearly stated in resolution 60/247 A that, when the Secretary-General requested authorization to enter into expenditure above the $950-million cap, such authorization would be granted automatically. The Secretary-General had confirmed that the time had come for the Assembly to authorize expenditure of the remaining funds appropriated for the biennium 2006-2007, and the Group of 77 and China stood ready to act in response to his request.

3. **Mr. Bolton** (United States of America) said that his delegation could agree to the suspension of the meeting. However, it did not recognize the version of events recounted by the representative of South Africa. A decision by the General Assembly would be required in order to lift the spending cap. Moreover, the adoption of draft decision A/C.5/60/L.44 would not be automatic; the action the Committee took would depend on the outcome of the informal consultations.

The meeting was suspended at 3.25 p.m. and resumed at 5.35 p.m.

4. **Mr. Bolton** (United States of America) said that, in the 2005 World Summit Outcome, a number of areas critical to the reform and revitalization of the United Nations had been identified. Regrettably, 10 months later, little progress had been made in implementing that robust and ambitious agenda for reform. Instead of debating substantive issues, Member States had become bogged down in procedural discussions.

5. It was his delegation's wish to see meaningful reform of the United Nations that had prompted it to support the approval of only a six-month interim budget in December 2005. That had been the right decision: it had focused Member States' attention not only on the urgent need for reform, but also on the seriousness of purpose with which his delegation approached the issue. It was not in the long-term interests of the United Nations, much less of Member States, to continue delaying reforms that would serve to make the Organization stronger and more effective in fulfilling the mandates outlined in the Charter of the United Nations.

6. It was thus with deep regret that his delegation found it necessary to oppose the lifting of the spending cap and to dissociate itself from the consensus on the draft decision. It would, however, continue to press for change and reform at the United Nations and to work with other delegations and the Secretariat to achieve shared objectives. It trusted that, by the end of the resumed session, further concrete steps could be taken in that direction. The time had come to increase the efficiency, transparency and accountability of the United Nations and end the culture of inaction.

7. **Mr. Oshima** (Japan) said there was a clear need for a more efficient and effective United Nations. A reformed United Nations would be in the interests of all; preserving the status quo was not an option. His delegation had submitted proposals on various aspects of reform, including management reform and mandate review. It had hoped that Member States would be allowed more time for discussion with a view to achieving a broad-based consensus on the reform proposals and on the action to be taken in respect of the spending cap. However, a request had been made for action to be taken at the current meeting. Regrettably, his delegation was unable to join the consensus on the draft decision at the current stage. It trusted that the ongoing negotiations would bear fruit

and that, when the matter was taken up in the plenary Assembly, it would be in a position to join the consensus.

8. **Mr. Hill** (Australia) said that his delegation also wished to dissociate itself from the consensus. That outcome was regrettable, for he strongly believed that the Committee functioned better when it operated by consensus. Nevertheless, to lift the spending cap at the current stage would be premature. The cap had been a means of imposing discipline, to ensure that necessary reforms in the areas of management, oversight and mandates were put in place. Logically, the cap could only be lifted when reasonable progress had been made in those three areas. Unfortunately, that was not the case.

9. His delegation appreciated the guidance provided by the President of the General Assembly in his letter of 28 June 2006, which had been distributed informally. It was committed to working constructively over the next two days to achieve further progress prior to the scheduled completion of the Committee's work on 30 June 2006. The management reform proposals that his delegation had put forward would constitute modest yet important steps forward. It trusted that, at the end of the resumed session, Australia would be able to join other Member States in acknowledging that reasonable reform had been achieved in the three critical areas.

10. *Draft decision A/C.5/60/L.44 was adopted.*

11. **Mr. Kumalo** (South Africa), speaking on behalf of the Group of 77 and China, welcomed the adoption of the draft decision, but expressed regret that three delegations had chosen to dissociate themselves from the consensus. The representatives of the United States of America, Japan and Australia should explain how Member States could work together towards common goals if their delegations dissociated themselves from the decisions taken.

12. The lifting of the spending cap without conditions was a positive step that could hardly be described as premature. The General Assembly had stated in resolution A/60/247 A that it would act in response to a request from the Secretary-General, at an appropriate time, for expenditure of the remaining funds appropriated for the biennium. On 20 June 2006, the Secretary-General had confirmed that the time had come to lift the cap, and the Group would have been ready to respond to his request at that time. Regrettably, action on the matter had been deferred on two occasions.

13. The cap had resulted in a poisonous and abusive atmosphere and had undermined the trust that was so essential if delegations were to work together. The Group was committed to rebuilding that trust, but that would be a difficult task under the current circumstances. Lastly, the Group would spare no effort to build a stronger United Nations, for it was convinced that the Organization mattered to all delegations, including those that had felt unable to join the consensus.

14. **Mr. Pfanzelter** (Austria), speaking on behalf of the European Union, said that the European Union had joined the consensus because it was imperative that the Organization should be able to function and deliver services. It was grateful to the President of the General Assembly for his efforts to bridge the gap between delegations and create an atmosphere of trust. The President's letter of 28 June 2006 reflected the remarkable progress made thus far in implementing reform, as well as setting out what remained to be done. In that regard, the letter was in line with the key players' understanding of the situation. He urged Member States to use the remaining days to produce a major breakthrough. The lifting of the spending cap should serve as a catalyst in that process. The European Union was confident that the Committee could successfully complete its work by 30 June 2006, having made tangible progress towards reform. However, it wished to stress that the Committee could not operate in an atmosphere of polarization, suspicion and mistrust. Rather, delegations must work together to build a spirit of global partnership.

15. **Ms. Pierce** (United Kingdom) said it was important, for the effective functioning of the United Nations, that the decision to lift the spending cap should be made by consensus. Her delegation would work hard to secure an agreement on much-needed reforms by the end of the week. It trusted that, if the Committee was able to complete its work successfully, based on the elements outlined in the letter from the President of the General Assembly, all Member States would be able to join the consensus when draft decision A/C.5/60/L.44 was taken up in the plenary Assembly.

Revised estimates to the programme budget for the biennium 2006-2007: additional office accommodation in Geneva for the Office of the United Nations High Commissioner for Human Rights (A/60/7/Add.42 and A/60/899)

16. **Ms. Van Buerle** (Director of the Programme Planning and Budget Division), introducing the report of the Secretary-General regarding additional office accommodation in Geneva for the Office of the United Nations High Commissioner for Human Rights (OHCHR) (A/60/899), recalled that, as stated in paragraph 130 of the report of the Secretary-General on revised estimates in connection with the 2005 World Summit Outcome (A/60/537), the central support costs identified in that report had represented initial estimates which might require revision because the Palais Wilson lacked enough space to accommodate additional staff of OHCHR in conditions which were suitable and which did not endanger their health and safety.

17. The acute shortage of office space in Geneva had led OHCHR, the United Nations Office at Geneva and the host country's Building Foundation for International Organizations to select an alternative site, located at 48 rue Giuseppe Motta. The lease, which would be concluded between the landlord and the Building Foundation, contained the option of subletting to the United Nations Office at Geneva, which would be obliged — if the option was exercised — to assume the terms of the contract as outlined in paragraph 10 of the report of the Secretary-General (A/60/899).

18. Taking into account the estimated resource requirements for expanded office space, the sums already appropriated by the General Assembly in its resolution 60/246, extrabudgetary resources and a $1,540,300 contribution from the host Government, the additional requirements under the regular budget for the biennium 2006-2007 amounted to $4,975,900.

19. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)), introducing the related report of the Advisory Committee (A/60/7/Add.42), said that, as a practical solution must be adopted to meet the immediate demand for office space, the Advisory Committee recommended that the General Assembly should note the host Government's intended contribution and appropriate the additional sums required under the budget for the biennium, as described in the report of the Secretary-General (A/60/899, para. 22).

Agenda item 122: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Agenda item 124: Programme budget for the biennium 2006-2007 (*continued*)

Agenda item 128: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*)

Agenda item 129: Human resources management (*continued*)

Agenda item 136: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

Investing in the United Nations: for a stronger Organization worldwide: detailed report (*continued*) (A/60/846/Add.5 and Add.7, A/60/903 and A/60/904)

20. **Mr. Sach** (Controller) introduced the fifth addendum to the report of the Secretary-General entitled "Investing in the United Nations: for a stronger Organization worldwide: detailed report" (A/60/846/Add.5), which concerned procurement reform. Procurement had been a focus of the efforts to reform the United Nations and improve the efficiency of the Organization's administrative and financial functioning. Over the last two years, the annual value of procurement had increased significantly, from $1 billion to $1.8 billion, as a result of the surge in peacekeeping activities. That had created enormous challenges and placed great pressure on the procurement process. In that connection, he paid tribute to the hard work and dedication of procurement staff both at Headquarters and in the field.

21. A study undertaken by external consultants in 2005 had revealed some opportunities to strengthen the internal controls of procurement operations, while the report of the Office of Internal Oversight Services (OIOS) on the comprehensive management audit of the Department of Peacekeeping Operations (A/60/717) had contained substantive observations on a number

of procurement cases at Headquarters and in peacekeeping missions.

22. The report before the Committee described the measures taken by the Secretariat pursuant to General Assembly resolution 59/288, as well as new initiatives that had been, or were being, implemented on the basis of the Secretary-General's initial report entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692) and in response to General Assembly resolution 60/260.

23. While Member States' support was most welcome, the ongoing procurement reform efforts would not produce results unless adequate resources, including human resources, were provided to the Procurement Service. The Administration was requesting 6 new posts and 1 reclassification, in addition to the 11 new posts requested for the Procurement Service in the budget for the support account for peacekeeping operations for the period from 1 July 2006 to 30 June 2007 (A/60/727). The resources requested for the Department of Peacekeeping Operations, the Office of Legal Affairs and the Headquarters Committee on Contracts under the 2006/07 support account for activities relating to procurement were also summarized in the report. He urged the Committee to approve the resources requested for the Procurement Service and the establishment of the new posts, noting that temporary arrangements would make it difficult to recruit qualified candidates.

24. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of ACABQ (A/60/904), said that the Advisory Committee had sought to facilitate the Committee's deliberations by providing as clear a picture as possible of the resources requested in the Secretary-General's report. The request involved requirements which had been included in the budget for the support account for 2006/07 and on which the Advisory Committee had recommended deferring action, as well as new requirements under both the support account and the regular budget.

25. The emphasis in the Secretary-General's report was on internal control measures aimed at dealing with the problems identified by OIOS and the external consultants. Other aspects of procurement reform were not as well developed. The Advisory Committee trusted that the Secretary-General would elaborate on those aspects in greater detail in the forthcoming reports on governance and human resources management reform.

26. While the proposals contained in the Secretary-General's report were merely one stage in a process, additional resources were urgently needed in order to move that process forward and to address the deficiencies identified. The Advisory Committee therefore recommended approval of the resources requested, in the amount of $5.2 million.

27. Ms. Lock (South Africa), speaking on behalf of the Group of 77 and China, said that the Member States must make a collective effort to strengthen the Organization's oversight and auditing bodies. For the General Assembly to be able to review the matter comprehensively and take decisions that would provide a solid operating basis for those bodies, Member States must receive the reports of the Secretary-General and the Advisory Committee in a timely manner.

28. Recalling that the General Assembly, in its resolution 60/248, had decided to establish the Independent Audit Advisory Committee, the Group pointed out that time pressure had prevented the Member States from finalizing the terms of reference for that Committee at the time of the decision. Furthermore, the outcome of the governance review and external evaluation of audit and oversight, which would influence the discussion, had not yet been presented to the Fifth Committee or the Advisory Committee. The Group therefore supported the Advisory Committee's recommendation that the consideration of the report of the Secretary-General (A/60/846/Add.7) should be deferred until the main part of the sixty-first session of the General Assembly.

29. In the absence of a General Assembly decision on the mandate or composition of the Independent Audit Advisory Committee, or the qualifications or selection of its members, the Group could not clearly see the rationale for the Advisory Committee's recommendation, in paragraph 10 of its interim report (A/60/903), that the new body's secretariat should be staffed under general temporary assistance arrangements, and would like the Advisory Committee to clarify that issue. It would also like clarification of the recommendation, in paragraph 12 of the same report, that OIOS should be authorized to submit its budget to the General Assembly through the Advisory Committee. As the Member States were not yet aware

of the outcome of the external evaluation performed at their request to consider issues including the operational and budgetary independence of OIOS, her Group could not see how that recommendation was relevant to the Independent Audit Advisory Committee, unless it specifically addressed the interaction between the latter and OIOS.

30. The Group welcomed the ACABQ report on procurement reform (A/60/904), but regretted that it had not been made available to Member States until the previous day. Believing that the Member States should not take rushed decisions on matters which could affect the management and oversight of billions of dollars, as well as the Organization's reputation, the Group wished to revert to the matter at the sixty-first session. The Member States' decisions must translate into a more transparent and effective procurement system which also reflected the international character of the Organization.

31. The Group trusted that the Secretariat, in the meantime, would provide the information which the General Assembly had requested in section V of its resolution 60/260, particularly proposals on increasing procurement opportunities for vendors from developing countries. Noting also that the Advisory Committee, in paragraph 4 of its report (A/60/904), had observed that some aspects of procurement reform had not been well developed in the Secretary-General's report (A/60/846/Add.5), it trusted that the Secretariat would provide further reports to enable the Member States to approach procurement reform in a more comprehensive way at the sixty-first session.

32. **Mr. Drofenik** (Austria), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, and Serbia; and, in addition, Liechtenstein, the Republic of Moldova and Ukraine, said that procurement reform was an essential part of the wider management reform process. The European Union fully supported efforts, outlined in the relevant report of the Secretary-General (A/60/846/Add.5), to strengthen internal control measures and to optimize United Nations policies in order to reduce acquisition costs and improve strategic management of procurement. Such efforts were important to enhance transparency, accountability and the ethical behaviour of staff within the Organization.

33. With recent reports on peacekeeping mission procurement having revealed inadequate internal controls, accountability measures and resources, the European Union believed that procurement practices, even in the field, must always follow established financial rules and regulations. It welcomed the steps taken, in the wake of the OIOS audit of that aspect of procurement, to segregate duties and processes in order to avoid conflicts of interest, increase transparency and accountability, and promote integrity and ethics.

34. Agreeing with the Advisory Committee that a number of forthcoming reports might have an impact on procurement reform, and noting that the late issuance of the reports before the Fifth Committee left it with little time to address their substance, the European Union was prepared to take a decision on the additional resources without delay and to revert to procurement policies and regulations during the main part of the sixty-first session. It would remain actively engaged in the discussion of additional capacity for the Procurement Service and trusted that the additional resources would improve the efficiency and cost-effectiveness of the United Nations procurement system.

35. **Mr. Garcia** (United States of America) said that procurement reform must be a management priority. Without accountable, cost-effective, efficient and transparent procurement practices, the Organization's essential goods and services would not be efficiently and effectively managed and billions of dollars of assessed contributions might be ill spent or not properly accounted for. It was unacceptable that so many field procurement positions remained vacant and that procurement staff lacked sufficient knowledge to adequately perform their functions. Those problems must be dealt with immediately.

36. His delegation welcomed the Secretary-General's report and was grateful for the ongoing efforts to strengthen the internal controls of procurement operations, optimize United Nations acquisition and procurement management, reduce costs and implement a more strategic approach to procurement management. It was also pleased that the Secretary-General was taking steps to address the concerns raised in the various reports and studies on procurement. It noted, in particular, the enhancement of training for procurement staff, the promotion of the "best value for money" principle, the finalization of a United Nations Supplier Code of Conduct, the updating of the Procurement

Manual and the initiatives taken to develop a concept of strategic sourcing and achieve further synergies in the United Nations system through partnering.

37. If the Organization was to have effective and efficient procurement operations, adequate resources must be provided. His delegation concurred with the Advisory Committee that, while the procurement reforms outlined in the Secretary-General's report required further development, the resources requested were urgently needed. At the same time, more proactive steps must be taken to improve oversight, strengthen internal controls and establish clear lines of authority for procurement staff. While the ongoing investigations into procurement irregularities must be thorough, they must be concluded expeditiously. Lastly, he called on the Secretary-General to submit a comprehensive progress report on procurement reform at the main part of the sixty-first session.

38. **Mr. Aljunied** (Singapore) said that his delegation would like the Controller to clarify the reference to consultants in his introduction of the Secretary-General's report on procurement reform (A/60/846/Add.5). He wondered who had taken the decision to engage such consultants to study procurement, and who those consultants were.

39. **Mr. Sach** (Controller) said that the Under-Secretary-General for Management had taken the decision to engage outside consultants, following discussions with the Secretary-General. The company chosen had been Deloitte Consulting.

40. **Mr. Aljunied** (Singapore) said that his delegation supported the proposal, made by the representative of South Africa on behalf of the Group of 77 and China, that detailed consideration of document A/60/846/Add.5 should be deferred to the main part of the sixty-first session of the General Assembly. Procurement was a complex matter involving substantial human and financial resources. Many recent criticisms of the Organization had centred on that issue and on apparent transgressions by United Nations staff, several of whom had been on administrative leave for six months without being formally charged. Meanwhile, a senior official of the Organization had heightened media speculation that the United Nations was rife with corruption. With so much at stake, the Fifth Committee should not be seen to endorse the document in question without a thorough review.

41. While the report on procurement had taken into account the findings of a Deloitte study commissioned by the Under-Secretary-General for Management, the Member States had had no opportunity to examine or evaluate those findings, which had been presented to the Committee in a cursory manner during a wider discussion of management reform. As the findings did not seem robust, the Secretariat should not have drawn conclusions from them. Secretariat officials, including the Under-Secretary-General for Management, should provide the Committee with a clear and comprehensive presentation of the consultants' report, so that the Committee could fully consider the document before it.

42. The requirement of due process demanded that the investigations into alleged transgressions in procurement should be completed urgently, as eight staff members who had not been formally charged remained in limbo. Moreover, the outcome of the investigations would influence the Committee's views on the procurement process. The Committee would have to examine the investigation itself if it proved to be baseless.

43. **Mr. Kozaki** (Japan) said that the Committee must focus its attention on procurement procedures, internal controls and accountability as a matter of priority. The Secretary-General's report on procurement (A/60/846/Add.5) should be regarded as an update on the procurement reform effort, as it had been submitted too late for the Committee to discuss it in detail. Although the necessary review of financial rules and regulations must therefore be deferred until the main part of the sixty-first session, the Committee should provide the resources requested for procurement reform on an exceptional basis.

44. **Mr. Kovalenko** (Russian Federation), recalling that General Assembly resolution 60/248 had specified that the terms of reference of the Independent Audit Advisory Committee should reflect the outcome of the ongoing review of oversight, said that the Committee should not discuss the selection and appointment of that Committee's members until the outcome of the review in question was known. Moreover, the Fifth Committee should consider the views of the Board of Auditors and the Panel of External Auditors on their interaction with the new body and on the latter's terms of reference and their compatibility with the principle that external audit staff should be independent.

45. The selection and appointment process should not go forward until the General Assembly had adopted the terms of reference, which would establish the corresponding criteria and procedures. Since the Secretariat, including the Secretary-General, would be subject to the new Committee's oversight, it should in no way be involved in the selection of the latter's members. The suggestion that those members should be nominated by the Secretary-General ran counter to best practice in the public and private sectors and would undermine the new body's independence, not from the Member States, but from the management of the Organization. As a result, his delegation felt that the selection process should not begin until the General Assembly had adopted the terms of reference.

46. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), addressing the matters raised by the representative of South Africa on behalf of the Group of 77 and China, said that the Advisory Committee had recommended the immediate approval of general temporary assistance for the secretariat of the Independent Audit Advisory Committee because some personnel were likely to be needed to perform organizational and preparatory work even before the General Assembly took a final decision on that secretariat's staffing, and before the new Committee's members took up their posts.

47. The recommendation that OIOS should be authorized to bypass the Programme Planning and Budget Division and submit its budget to the General Assembly through the Advisory Committee was not new. The Advisory Committee had previously suggested such an approach as an interim measure pending the consideration of the oversight and governance reports and the terms of reference of the Independent Audit Advisory Committee (A/60/7/Add.23, para.18). However, the Advisory Committee recognized that its suggestion was not based on any technical analysis of the situation, and fully understood that the General Assembly must have a free hand in deciding on procedures for dealing with the budget of OIOS, pending the approval of the new Committee's terms of reference.

48. **Mr. Sach** (Controller), in response to the questions posed by the representative of Singapore, indicated that the Deloitte Consulting report had been available on the Organization's website for some six months, but that the Secretariat was willing to provide a clear and comprehensive presentation of it, should the Committee so request. While he could not specify who would make that presentation, every effort would be made to ensure that all questions from the Committee were answered.

49. **Mr. Aljunied** (Singapore) said that his delegation felt it would be appropriate for the Under-Secretary-General for Management to present the findings of the Deloitte report, so that the Department of Management could complete a process which had remained unfinished.

The meeting rose at 6.45 p.m.